Nationwide 457 Plan Quarterly Newsletter

Burgess Chambers & Associates (BCA)

BCA is the City of Hialeah Deferred Compensation Plan Consultant and Investment Performance Monitor

BCA Market Perspective ©
Winner Take All
Burgess B. Chambers
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Global competition has moved to a level of winner take all. What does it mean when depositors in Japan and Germany are faced with losing money because of negative interest rates? Why are the major central banks driving down their currency values and using every means available? Why is it that the US, Japan, China and Eurozone are unwilling to coordinate economic policies? The answer is competition. There is an intense fight underway among the major economies to prevent bank failures, maintain competitive pricing of products, grow tax revenues, and promote employment. As business formation declines accelerated in recent years, job growth has slowed.

Once upon a time we had normal interest rates and government fiscal policies that promoted economic growth. Once upon a time we relied upon a Federal Reserve Bank to maintain a banking environment seeking full employment through credit expansion. And there was a time when central banks coordinated policies in order to promote global growth, expand employment, manage inflation and restrict currency manipulation. Those were the good old days.

Japan had a great 20 year economic run that began in 1974 and has been faced with an aging society and negative population growth for the past 15 years. China has perfected the Japanese model and amassed unprecedented wealth and industrialization in the past 12 years. The Eurozone, conceived by Germany, came into existence 17 years ago to simplify the commercial barriers caused by borders, visas, conflicting laws, unstable currencies, and banking regulations. Germany supported the weaker members (Greece, Italy, and Spain) becoming debtor countries – as this new found borrowed money promoted economic prosperity in southern Europe. This wealth effect meant more people would buy German cars and trucks. And that is what actually happened! But the Eurozone has lost its luster. The debt used to fuel prosperity has become a burden that is expensive to manage – in the face of high unemployment over the past seven years and slowing growth.

The US and China represent the top two positions in the race for economic prosperity and dominance. India and Southeast Asia deserve mention, as these regions are attracting investment for new infrastructure and provide a highly educated and skilled working class. The Eurozone's model will continue to decline – as southern Europe struggles with high unemployment and making room for the large influx of poor refugees, primarily children.

Being the world's second oldest democracy and the second largest commercial banking center, the UK has once again set sail for greener pastures – as it has done so many times before. Leaving the Eurozone allows Britain to better define and control its economic future and not be under the control of a centralized economy and government.

NATIONWIDE PERFORMANCE SUMMARY

Below you will find information relating to funds in the Hialeah Deferred Compensation Plan that have been placed on a watch list by our consultant, BCA. This is not a recommendation to buy or sell any funds, but an indication that BCA has identified these funds as those that are not meeting their specific performance expectations over the last 3 to 5 years, and/or experienced material management changes. This performance information shows the returns versus a benchmark index as well as a ranking against similarly managed funds. The City will continue to monitor these funds closely and will consider changes to the managers or adding additional fund options as recommended by BCA and Nationwide. For information on all of the available investment options plus additional information on your Plan, please contact **Ana Aguirre, Nationwide Retirement Specialist. Phone: (786) 506-2944 or email: Aguirra4@nationwide.com.**

BCA would recommend consulting with a personal advisor before making any investment decisions or you are encouraged to schedule an appointment with your Nationwide Retirement Specialist when they visit the various locations. In addition, the City encourages your attendance at any of the numerous City sponsored educational and retirement planning sessions held throughout the year.

Group/Investment	Ticker	Quarter Return	Quarter Rank	1 Year Return	1 Year Rank	3 Years Return	3 Years Rank	5 Years Return	5 Years Rank
Portfolio Holdings									
US OE Large Growth									
American Century Growth Inv	TWCGX	0.76	42	0.47	24	10.90	52	9.84	58
Neuberger Berman Socially Rspns Inv	NBSRX	0.74	43	0.34	25	9.49	70	9.32	68
NVIT Multi-Manager Large Cap Growth I		0.32	55	-1.84	50	10.88	68	10.17	64
Benchmark 1: Russell 1000 Growth TR USD		0.61		3.02		13.07		12.35	
US OE Large Value									
Invesco Growth and Income A Load W	ACGIX lw	3.17	44	-4.30	79	6.96	73	9.05	63
Benchmark 1: Russell 1000 Value TR USD		4.58		2.86		9.87		11.35	
US OE Small Blend									
Nationwide Small Cap Index A LW	GMRAX lw	3.73	24	-7.07	61	6.68	58	7.89	57
Benchmark 1: Russell 2000 TR USD		3.79		-6.73		7.09		8.35	
US OE World Stock									
Oppenheimer Global A Load Waived	OPPAX lw	1.77	89	-13.36	96	4.64	69	4.85	63
Benchmark 1: MSCI ACWI NR USD		0.99		-3.73		6.03		5.38	
US OE Intermediate-Term Bond									
Nationwide Bond Index A Load Waived	GBIAX lw	2.02	76	5.28	34	3.45	63	3.13	79
Benchmark 1: Barclays US Agg Bond TR USD		2.21		6.00		4.06		3.76	

*Yellow highlights are for underperformance in the 3 & 5 Year periods.

FREQUENTLY ASKED INVESTMENT QUESTIONS

Q: What is an actively managed fund?

A: Funds that are actively managed have an individual or team that actively invest and trade the fund's underlying securities. Typically, an active manager will only invest in a portion of the securities, their "best ideas", of the benchmark or index that they are trying to beat. For instance, if an active manager is using the S&P 500 as their benchmark, said manager may invest in the 50 stocks they deem the "best" out of the 500 stocks that comprise the S&P 500. From a performance standpoint, it can be tough for active managers to keep up with their respective benchmarks when the market is going up due to holding higher quality positions and having a portion of cash in their portfolio. However most active managers make their money in volatile and down markets, where they tend to benefit from those same higher quality and cash positions, which are what most individual investors flock to when they are concerned about the markets. Keep in mind that actively managed funds have the potential to beat the market, but can also significantly underperform if they are wrong about the securities they pick.

Q: What is a passive/index fund?

A: Funds that are passively managed, or what most investor call index funds, simply track the performance of their respective benchmark. For example, an index fund for the S&P 500, invests in the same 500 stocks that comprise the S&P 500 with the same percentage allocation to each stock as the S&P 500. Essentially, instead of someone trying to pick out the 50 "best" stocks in the index, index funds simply buy the entire basket of 500 stocks. From a fee standpoint, index funds tend to be cheaper than actively managed funds because they avoid the costs of research and trading which active managers incur and then pass on to investors. From a performance standpoint, it is important to understand that passively managed funds will give investors 100% of the return of index they track, minus the small fee they charge. That means that if the index is up +1%, investors will be up 1% and if the index is down -2%, investors will be down -2%. With an index fund, investors will never beat the index but they will also never significantly underperform it.

HIALEAH FINANCIAL PLANNING EDUCATION PROGRAM

The City offers an expanded financial planning education program for new member enrollment and ongoing participant education as part of Hialeah's Financial Planning initiatives. The City schedules quarterly meetings, group classes, individual counseling, and online webinars. Please visit the Employees tab on the City's website (www.hialeahfl.gov).

Please note that the Nationwide 457 Deferred Compensation plan is a participant-directed plan that provides for the allocation of investment responsibilities to the participants or beneficiaries. For assistance with your retirement account, please contact please contact **Ana Aguirre, Nationwide Retirement Specialist. Phone: (786) 506-2944 or email:** **Aguirra4@nationwide.com**.